Memorandum

May 13, 1941

Glick Magazine

The issue of Glick Magazine which will be on the news stands in the course of a day or so contains statements relating to our payment of royalties to German firms on our sales of PLEXIGLAS, synthetic tanning materials, etc.

It is likely that some of your customers may either see the article or references thereto in the daily press.

We have, therefore, drawn up the attached memorandum which we are sending to all of our employees and especially to our salesmen.

If you have any further questions to raise, please do not hesitate about writing me.

As you will see from the statement which is attached, no royalty payments have been made to Germany on sales made since January 1, 1941. Furthermore, prior to sending out the royalty checks for the last two or three quarters of 1940, I took the matter up each time with the officials of the Federal Reserve Bank in Philadelphia to see whether any freezing order had been issued covering such payments, and in each case was advised that until the State Department issued such a freezing order it was necessary for us under the law to continue to make the payments.

S. C. Kalten

To the employees of

Rohm & Haas Company

The Resinous Products & Chemical Co.

Charles Lennig & Company, Inc.

In the June issue of Click Magazine an article is to appear which is supposed to be an expose of your companies' connections with Nazi Germany. The article makes it appear as though the companies are working with German companies in a way detrimental to the best interests of the United States.

The older employees will know that the inferences of the article are false and the management hopes that it has the same confidence of the newer employees. However, when the article is made public, much gossiping will follow and it is therefore proper that the employees know the true facts. As some advance copies of the article have already appeared, this statement is being made in advance of actual publication of the article.

The History of the Business

The Rohm & Haas business originated in Germany in a partnership between Otto Rohm and Otto Haas. The first, and for many years the foremost, product sold was Oropon, a synthetic bate for hides and skins. In 1909, shortly after the start of the business, Mr. Haas came to this country and established the business here. He has remained since that time as active head of the company. The American business was incorporated in

1917 in the State of Delaware as an independent business. During the first World War Dr. Rohm's share of the business in this country was taken every by the Alien Property Custodian but subsequently acquired by Mr. Haas. Today every share of stock in the company is controlled by American citizens and there is no direct connection between the United States company and the German company, which continued under Dr. Rohm's supervision.

Charles Lennig & Company is one of the oldest chemical companies in the United States. It was founded in 1885. It was purchased by Rohm & Haas Company in 1932 and is today a wholly owned subsidiary of Rohm & Haas Company.

The Resinous Products & Chemical Company was founded in 1936 for the purpose of manufacturing the synthetic resins invented by the employees of the Kurt Albert Company of Germany and covered by the patents owned by that company. In return for the Patent Rights and the knowledge of how to make those synthetic resins, the Albert Company was given 30% interest in the new company. Until recent years two directors represented this stock but they took no active part in the management of the company's affairs. As in the case of Rohm & Haas Company, the controlling interest in the company is held by Mr. Haas. Today the Albert Company's share of the company stock stands in the name of Chemie Holding A.-G., a Luxembourg corporation. The assets of all Luxembourg corporations have been frozen by an Executive Proclamation.

Policy of the Company respecting Patents and New Developments

Patents are limited monopolies granted by the government to persons, firms, or corporations in exchange for a full public disclosure of an invention. The theory of patents is that by granting a limited monopoly persons will be encouraged to develop new industries and to make public disclosure of their inventions instead of practicing them as secret processes.

There are two ways of acquiring patent rights. One is by the establishment of research organizations such as our own; the other is by the purchase of patent rights acquired by others. The policy of this company is to use both these methods. Our entire insecticide and fungicide business, that is, Lethane and Cuprocide, is an example of the results of our own research. Our acrylic resin business is an example of a business acquired from others. The most common method of purchasing patent rights is through the payment of royalty, the royalty being a small percentage of the income derived from the sales of the patented article. This method of making payment for patent rights makes the total amount paid conditional upon the importance or value of the patent and it is for this reason that it is so widely used. We have some important patent agreements with German firms but by far the greater number of our patent agreements are with United States companies and the most important recent one was made with a research department of the British Government.

The Acrylic Resin and Tego Agreements

The Glick article makes particular reference to the acrylic resin patent agreement between Rohm & Haas of Philadelphia and Rohm & Haas of Darmstadt, Germany. After approximately three years of negotiation this patent agreement was entered into in 1934 and through it the Philadelphia company acquired all rights to use the patents granted the Darmstadt Company by the United States and Canadian Patent Offices. In return for that right the Philadelphia company agreed to pay the Darmstadt Company a royalty based on the sale of products covered by the patents. The royalty is a very low one, in the case of flat sheets being 5% of the net selling price. In the case of the bomber's nose pictured in the Glick article the royalty amounts to approximately 1 and 1/2 per cent.

The situation regarding "Tego" is much the same as in the case of the Acrylic resins. Patent rights were purchased for which royalty is paid.

The Glick article also refers to a supposed "deal" with I.G. Farbenindustrie on a Stinsny patent. The Company does not deny having patent agreements with I.G. but the Company does deny that there is anything mysterious about its agreements with I.G. As a matter of fact a considerable number of chemical firms in the United States have similar agreements. As regards the particular "deal" referred to in the article, it was primarily between ourselves and Dr. Stinsny and not one cent was paid to I.G. Farbenindustrie.

Royalty payments under patent agreements are legal obligations which the management cannot cast aside. Actual payments have frequently been delayed several months with the expectation that Government action freezing these payments would be taken. All payments for the year 1941 have been withheld.

Readers of the Glick article should not be misled into thinking the Federal Government is taking no action as respects royalties and other payments made to German firms. Definite action has been and is being taken by the Department of Justice; in the case of all firms paying royalties to Germany the Department of Justice has requested that advance notice be given before any payment is made. As a matter of fact, in our case we have paid no royalties to Germany on 1941 sales and so notified the Department of Justice before the Department raised the question with us.

The management has and shall continue to cooperate with the Government whenever it is called upon for information and will comply with any requests made by the Government as respects either the payment or non-payment of royalties due.